

Attachment E
Proposed Plan of Finance
For New Hall

Prepared by the Public Resources
Advisory Group (PRAG)

and

KNN Public Finance

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PROPOSED PLAN OF FINANCE FOR NEW HALL

The \$234 million projected cost for New Hall and related improvements would be financed through issuance of two types of bonds. The City, acting through the Los Angeles Convention and Exhibition Center Authority, would issue approximately \$195.0 million in Lease Revenue Bonds. The Lease Revenue Bonds would be repaid by the City using new General Fund revenues generated as a direct result of the Event Center project as described below that otherwise would not have been received. The City would also establish a Community Facilities District covering the LA Live and Staples Arena properties to issue approximately \$80.3 million in Special Tax Bonds. The Special Tax Bonds would be repaid through an incremental property tax levied on the property owners or lessors of the parcels as described below. The City would have no financial liability for repayment of the Special Tax Bonds.

The proceeds from the two bond issues would be used to pay New Hall construction costs, interest on the bonds during a portion of the construction period, and the costs of issuing the bonds. It is preferred to issue both types of bonds on a tax-exempt basis to the greatest extent possible.

	Lease Revenue Bonds	Special Tax Bonds	Total
Par Amount	\$195,000,000	\$80,300,000	\$275,300,000
Uses:			
New Hall Construction	\$160,400,000	\$73,600,000	\$234,000,000
Interest During Construction	33,000,000	6,000,000	39,000,000
Costs of Issuance	<u>1,600,000</u>	<u>700,000</u>	<u>2,300,000</u>
Total	\$195,000,000	\$80,300,000	\$275,300,000
Current Borrowing Cost	5.78%	6.41%	6.17%
Final Maturity	2046	2046	2046

This plan of finance refers solely to the public improvements related to New Hall. The Event Center will be 100% privately financed by AEG. The City will have no responsibilities or liabilities related to the financing of the Event Center.

Los Angeles Convention and Exhibition Center Authority Lease Revenue Bonds

The Lease Revenue Bonds would be repaid through a portion of the revenues received by the City directly generated by the Event Center project. The City would appropriate these revenues to the payments on the New Hall. AEG will guarantee, through a Gap Funding Agreement, that the new revenues identified below will be sufficient to fully pay all required payments on the Lease Revenue Bonds. If the sum of these specific revenues is insufficient in any year, AEG will be required to make a payment to the City equal to any shortfall.

The revenues that would be used for this purpose are:

- Ground Rent on Event Center site. AEG would receive a 55-year ground lease from the City for its use of the Event Center site. The annual rent is proposed to be \$6.5 million starting in Fiscal Year 2016-17. The rent would escalate annually at a rate of 1.75%. AEG would pay the annual rent in full at the beginning of each year. The City will be undertaking an appraisal of the Event Center site to confirm the fair rental value.
- Possessory Interest Tax on Event Center and new Parking Structures. AEG must pay property taxes on the privately owned structures on City leased land, such as the Event Center and new parking structures. Because the City will continue to own the land on which the Event Center and new parking structures are constructed, the property tax payments are referred to as Possessory Interest Taxes. Although the Possessory Interest Taxes will be paid to LA County, the City's share of property taxes for these properties represents 32.7% of the basic 1% property tax. Possessory Interest Taxes on the Event Center and new parking structures are expected to total approximately \$4.0 million in Fiscal Year 2016-17. The taxable value is assumed to increase at 2% per year.
- City Parking Tax. Attendance at Event Center events is expected to generate approximately \$715,000 in City parking taxes in Fiscal Year 2016-17 from the parking lots located on site and owned either by AEG or the City. This does not include parking taxes generated at other privately owned lots in the area.
- Sales Tax on Construction Materials. AEG will be required to designate the City as the point of sale for construction materials. To the extent that AEG can demonstrate that the City has actually been allocated incremental sales tax receipts on materials purchased by AEG and its contractors during construction, these revenues would be credited towards the City's Lease Payments. It is estimated that the City will receive approximately \$5.5 million in sales tax receipts from the construction expenditures and a portion of this will be used to make debt service payments.

The Lease Revenue Bonds are proposed to be issued as additional bonds under the existing lease agreement between the City and the Los Angeles Convention and Exhibition Center Authority. The bonds would have a final maturity of 2046, which is 30 years following the expected completion of the Event Center in Fiscal Year 2015-16.

The City's practice is to fund a debt service reserve fund to provide a source of funding for debt service payments if there is a problem. The parties will attempt to issue the Lease Revenue Bonds with the most cost-effective way of funding the

debt service reserve fund requirement. If bond proceeds or other financial instrument are not used to fund the debt service reserve fund, AEG agreed to provide a letter of credit to satisfy this requirement.

Debt service payments on the Lease Revenue Bonds will be structured so that the revenues identified above are sufficient to make the annual payments. The debt service is expected to increase by approximately 1.85% a year, reflecting the estimated increase in the identified revenues. AEG will guarantee the sufficiency of these revenues through the Gap Funding Agreement and will provide a letter of credit in the amount of \$5 million as long as the Lease Revenue Bonds are outstanding as part of the guaranty. AEG will also pay the ground rent due on the Event Center site at the start of each fiscal year. The ground rent payment is expected to be approximately 50% of the annual debt service due each year. The letter of credit would provide a source of funding if the parking tax receipts or Possessory Interest Tax receipts to be received during the Fiscal Year were less than the amount required to pay debt service.

The following table provides a projection of the specific revenues that would be used by the City to pay the debt service due on the lease revenue bonds.

NEW GENERAL FUND REVENUES TO BE APPROPRIATED TO PAY DEBT SERVICE ON LEASE REVENUE BONDS								
Fiscal Year	Event Center Ground Rent	Event Center Poss. Int. Tax	Parking Poss. Int. Tax	Event Center Parking Tax	Building Material Sales Tax	Projected Series A Revenues	Projected Series A Debt Service	<Gap>/Excess
2012-13						-	capitalized	
2013-14		1,044,458	188,843		-	1,233,301	capitalized	
2014-15		2,122,586	377,685		-	2,500,271	capitalized	
2015-16		3,045,892	385,239		3,885,299	7,316,430	11,017,171	32,831
2016-17	6,500,000	3,597,000	392,943	715,500	-	11,205,443	11,202,171	3,272
2017-18	6,613,750	3,668,940	400,802	729,810	-	11,413,302	11,407,435	5,867
2018-19	6,729,491	3,742,319	408,818	744,406	-	11,625,034	11,620,743	4,291
2019-20	6,847,257	3,817,165	416,995	759,294	-	11,840,711	11,835,159	5,552
2020-21	6,967,084	3,893,508	425,335	774,480	-	12,060,407	12,058,781	1,626
2021-22	7,089,008	3,971,379	433,841	789,970	-	12,284,197	12,279,714	4,483
2022-23	7,213,065	4,050,806	442,518	805,769	-	12,512,159	12,507,514	4,645
2023-24	7,339,294	4,131,822	451,369	821,885	-	12,744,369	12,740,138	4,231
2024-25	7,467,732	4,214,459	460,396	838,322	-	12,980,909	12,975,534	5,375
2025-26	7,598,417	4,298,748	469,604	855,089	-	13,221,857	13,216,759	5,098
2026-27	7,731,389	4,384,723	478,996	872,191	-	13,467,299	13,461,607	5,692
2027-28	7,866,688	4,472,417	488,576	889,634	-	13,717,316	13,712,540	4,776
2028-29	8,004,356	4,561,866	498,347	907,427	-	13,971,996	13,966,280	5,716
2029-30	8,144,432	4,653,103	508,314	925,576	-	14,231,425	14,228,496	2,929
2030-31	8,286,959	4,746,165	518,481	944,087	-	14,495,692	14,491,053	4,639
2031-32	8,431,981	4,841,088	528,850	962,969	-	14,764,889	14,759,713	5,176
2032-33	8,579,541	4,937,910	539,427	982,228	-	15,039,106	15,037,233	1,873
2033-34	8,729,683	5,036,668	550,216	1,001,873	-	15,318,440	15,316,060	2,380
2034-35	8,882,452	5,137,402	561,220	1,021,910	-	15,602,984	15,598,231	4,753
2035-36	9,037,895	5,240,150	572,444	1,042,348	-	15,892,838	15,891,714	1,124
2036-37	9,196,058	5,344,953	583,893	1,063,195	-	16,188,100	16,181,669	6,431
2037-38	9,356,989	5,451,852	595,571	1,084,459	-	16,488,872	16,482,596	6,276
2038-39	9,520,737	5,560,889	607,483	1,106,148	-	16,795,257	16,792,535	2,722
2039-40	9,687,349	5,672,107	619,632	1,128,271	-	17,107,360	17,102,337	5,023
2040-41	9,856,878	5,785,549	632,025	1,150,837	-	17,425,289	17,419,085	6,204
2041-42	10,029,373	5,901,260	644,665	1,173,854	-	17,749,152	17,744,283	4,869
2042-43	10,204,888	6,019,285	657,559	1,197,331	-	18,079,062	18,074,140	4,922
2043-44	10,383,473	6,139,671	670,710	1,221,277	-	18,415,131	18,409,867	5,264

2044-45	10,565,184	6,262,464	684,124	1,245,703	-	18,757,475	18,752,383	5,092
2045-46	10,750,075	6,387,713	697,807	1,270,617	-	19,106,211	19,102,315	3,896

**Community Facilities District
Special Tax Bonds**

The Mello-Roos Community Facilities Act was enacted in 1982 and provides a method for local governments to fund public infrastructure and certain services. The Act provides that cities may form “community facilities districts” (CFDs), special financing entities through which a local government can levy special taxes and issue bonds authorized by two-thirds vote of the qualified voters of such a district. If there are less than 12 registered voters in a proposed district, then the property owners vote. Mello-Roos bond proceeds can be used to finance the construction, expansion, rehabilitation or acquisition of any real or other tangible property with an estimated useful life of five years or more, which will be constructed, owned or operated by a public entity. Mello-Roos bonds are payable solely from special taxes levied on property within the CFD. The City is not obligated to pay the Mello-Roos bonds from any funds of the City.

The New Hall and related improvements to be undertaken by AEG on behalf of the City constitute the type of project that is eligible using Mello-Roos bonds. AEG, as representative of the owners of LA Live and the Staples Arena, will request that the City establish a Communities Facility District to be comprised of certain LA Live Parcels and the Staples Arena. The special tax payments are expected to start in Fiscal Year 2014-15 in the amount of \$3.0 million and rise to approximately \$15.8 million in Fiscal Year 2045-46. A major increase in the special tax will occur in Fiscal Year 2024-25, when the current admissions fee on the Staples Center expires. To enhance the market reception of the special tax bonds, AEG may need to enact a contingent special tax on the Event Center.

The following table provides a projection of the special tax payments and the debt service on the special tax bonds that will be the responsibility of AEG and related entities.

Potential Revisions to Plan of Finance

The plan of finance for New Hall described above is based on financial market conditions and other reasonable assumptions as of July 2011. The parties agree that the final plan of finance may require revisions based on financial market conditions at the time the New Hall is ready to be financed, which is currently anticipated in the Spring of 2012. Such revisions could entail the dedication of additional direct project revenues to repayment of the Lease Revenue Bonds, higher special tax payments for the Special Tax Bonds, the issuance of a portion of the financing on a taxable basis, issuance of bonds to fund a debt service reserve fund and other changes. Any changes will be subject to the approval of the City Council prior to the issuance of any bonds for New Hall.

TAX PAYMENTS ON SPECIAL TAX BONDS						
Fiscal Year	LA Live Special Tax	Staples Add'l Special Tax	Staples Special Tax	Projected Series B Revenues	Projected Series B Debt Service	<Gap>/Excess
2012-13					capitalized	
2013-14					capitalized	
2014-15	3,000,000	-	-	3,000,000	2,996,633	3,367
2015-16	3,090,000	-	-	3,090,000	3,086,633	3,367
2016-17	3,182,700	-	-	3,182,700	3,178,951	3,749
2017-18	3,278,181	-	-	3,278,181	3,277,772	409
2018-19	3,376,526	-	-	3,376,526	3,372,303	4,223
2019-20	3,477,822	-	-	3,477,822	3,476,898	924
2020-21	3,582,157	-	-	3,582,157	3,580,217	1,940
2021-22	3,689,622	-	-	3,689,622	3,686,673	2,949
2022-23	3,800,310	-	-	3,800,310	3,795,790	4,520
2023-24	3,914,320	-	-	3,914,320	3,911,814	2,506
2024-25	4,031,749	1,000,000	3,930,000	8,961,749	8,958,030	3,719
2025-26	4,152,702	1,000,000	4,047,900	9,200,602	9,197,906	2,696
2026-27	4,277,283	1,000,000	4,169,337	9,446,620	9,442,990	3,630
2027-28	4,405,601	1,000,000	4,294,417	9,700,018	9,699,015	1,003
2028-29	4,537,769	1,000,000	4,423,250	9,961,019	9,956,536	4,483
2029-30	4,673,902	1,000,000	4,555,947	10,229,849	10,226,808	3,041
2030-31	4,814,119	1,000,000	4,692,626	10,506,745	10,505,100	1,645
2031-32	4,958,543	1,000,000	4,833,404	10,791,947	10,790,000	1,947
2032-33	5,107,299	1,000,000	4,978,406	11,085,706	11,085,000	706
2033-34	5,260,518	1,000,000	5,127,759	11,388,277	11,385,000	3,277
2034-35	5,418,334	1,000,000	5,281,591	11,699,925	11,695,000	4,925
2035-36	5,580,884	1,000,000	5,440,039	12,020,923	12,020,000	923
2036-37	5,748,310	1,000,000	5,603,240	12,351,551	12,350,000	1,551
2037-38	5,920,760	1,000,000	5,771,337	12,692,097	12,690,000	2,097
2038-39	6,098,382	1,000,000	5,944,478	13,042,860	13,040,000	2,860
2039-40	6,281,334	1,000,000	6,122,812	13,404,146	13,400,000	4,146
2040-41	6,469,774	1,000,000	6,306,496	13,776,270	13,775,000	1,270
2041-42	6,663,867	1,000,000	6,495,691	14,159,558	14,155,000	4,558
2042-43	6,863,783	1,000,000	6,690,562	14,554,345	14,550,000	4,345
2043-44	7,069,697	1,000,000	6,891,279	14,960,975	14,960,000	975
2044-45	7,281,787	1,000,000	7,098,017	15,379,805	15,375,000	4,805

2045-46	7,500,241	1,000,000	7,310,958	15,811,199	15,810,000	1,199
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